
Board Action Bulletin



Prepared by the Office of Public & Congressional Affairs

NCUA BOARD ACTIONS TAKEN MARCH 27, 2003

NCUA Adopts Updated Chartering & Membership Amendments

The NCUA Board issued a comprehensive revision to federal credit union chartering and field of membership rules that standardizes what constitutes a local community after years of experience reviewing charter applications; offers a new trade, industry and profession option for single common bond credit unions; and makes other improvements to the field of membership rules to ensure the federal charter remains a viable, safe and sound option within the dual credit union chartering system. The rule changes addressed will be issued as Interpretive Ruling & Policy Statement (IRPS) 03-1.

Based on experience gained addressing chartering and field of membership policy issues over many years, final rule changes include –

- Eliminate outdated overlap protection requirements which have proven unworkable and unenforceable.
- Clarify the process of how to remove existing exclusionary clauses.
- Clarify that “service facilities” include wholly-owned ATMs and shared service facilities, if there is an ownership interest, for multiple-group credit union expansions.
- Clarify qualification requirements for associational charters.
- Clarify that national associations qualify for credit union service when the headquarters is within reasonable proximity to the credit union.
- Add a trade, industry or profession (TIP) designation to the type of groups eligible for a single common bond, occupational-based credit union. A TIP occupational charter would be based on employment in a narrowly defined, close nexus trade, industry or professional group within the credit union’s geographic service area.
- Streamline additions to multiple group credit unions for employers with less than 3,000 potential members.
- Standardize the agency’s criteria for determining a community as follows:
 - A single political jurisdiction (township, city, or county) would meet the definition of a local community.
 - A metropolitan statistical area (MSA), or its equivalent, with less than 1 million residents, may qualify as a local community with a narrative description of community interaction from the credit union.
 - Multiple political jurisdictions, with less than 500,000 residents, may also qualify as a local community with a community interaction description from the credit union.
- Eliminate time-in-place restrictions on occupational, associational or multiple-group credit unions that wish to convert to another type of charter.

- Allow state-chartered credit unions converting to federal charter to retain groups added through emergency FOM provisions.

The new rule will be effective 30 days after publication in the Federal Register.

Proposed MBL rule and related provision amendments issued

The NCUA Board issued proposed revisions to Part 723, member business loans (MBLs), and related rule provisions within Part 702, prompt corrective action (PCA); Part 704, corporate credit union; and Part 712, credit union service organization (CUSO).

Issued with a 60-day comment period, the proposed rule is designed to update and expand access to small business loans for credit union members, diversify risk, bring parity to federal and state MBL requirements within parameters of the *Federal Credit Union Act*, and continue to ensure the safety and soundness of federally insured credit union lending.

Based on internal working group recommendations and General Counsel regulatory review, a few specifics of the proposed rule include:

- Exclude the purchase of a business loan participation interest from the calculation of a purchasing credit union's aggregate member business loan limit;
- Clarify that participation interests in loans sold without recourse will not count as member business loans;
- Extend the standard prompt corrective action risk-based net worth component that presently divides the portfolio of member business loans by a single threshold of 12 ¼ percent to three tiers;
- Exempt certain member business vehicle loans from the 80 percent loan-to-value requirement, allowing for 100 percent financing for business-purpose vehicle loans; and
- Permit CUSOs to originate business loans.

Charter modifications

Community conversions approved

The NCUA Board approved the request of \$95 million **Edwards FCU**, Edwards, Calif., to convert from multi-group to a community-based charter able to serve the 393,000 people who live, worship, work, or attend school in, and businesses and other legal entities located in Antelope Valley Region of southern California.

The NCUA Board approved the request of \$857 million **South Carolina Federal Credit Union**, North Charleston, S.C., to convert from multiple-group to a community-based field of membership able to serve the 555, 000 people who live, work, worship, or attend school in, and businesses and other legal entities located in Berkeley, Charleston or Dorchester Counties, S.C.

The NCUA Board approved the request of \$337 million **Paragon Federal Credit Union**, Township of Washington, N.J., which serves multiple groups and several underserved areas, to convert to a community charter able to serve the 884,000 people who live, work, worship, or go to school in, and businesses and other legal entities in Bergen County, N.J.

Votes are unanimous unless otherwise indicated.

